

Cost-Benefit Analysis: A Step-by-Step Example¹

Calculating Employee Turnover Costs

Step 1: Calculate the Current Rate of Turnover

- a. # of employees leaving per year _____
- b. average number of employees _____
- c. divide line a by line b _____
- d. % of turnover = line c x 100 _____

Step 2: Calculate the Annual Cost of Employee Turnover to the Company

Employment Advertising – all recruitment advertising and related costs _____

Employment Agency and Search Fees – fees to employment agencies, search firms, and recruitment consultants _____

Internal Referrals – costs for bonuses, fees, gifts, etc., awarded to employees participating in a company-sponsored referral program _____

Applicant Expenses – travel and subsistence costs _____

Relocation Expenses – moving expenses and all other costs associated with relocation _____

Employment Staff Compensation – all salaries, benefits, and bonuses of the employment staff involved in recruiting, interviewing, hiring, and training new employees _____

Other Employment Expenses – all other related expenses, such as the cost of facilities, telephone, consultants, etc. _____

Orientation and Training – include management time, trainer fees, materials, and other costs for training new employees. _____

Estimated Total Costs _____

Number of New Employees _____

Average turnover cost per new employee: divide total costs by the number of new employees _____

Step 3: Calculate Estimated Reduction in Turnover

Use data collected from needs assessment surveys, focus groups, exit

interviews, etc., to determine how many of your separating employees typically leave because of dependent care or other work/life issues. _____

Deduce how many of these probably would not have left had your proposed program or policies been in place. (Remember that employees often are reluctant to name child care as a reason for leaving. Therefore, your needs assessment may understate the problem.) _____

Estimated reduction in turnover: subtract line 2 from line 1 _____

Step 4: Calculate Expected Savings in Turnover Costs

Multiply the expected reduction in turnover (step 3) by the average turnover costs per new employee (step 2) to determine the expected savings in turnover costs.

_____ x _____ = _____
(reduction in turnover) (average turnover cost)

Calculating the Cost of Absenteeism

Step 1: Calculate the Annual Cost of Absenteeism Per Year

_____ x _____ = _____
(# work days lost per year) (cost per work day)

Step 2: Calculate the Expected Reduction in Absenteeism

Estimate the percentage of current absences that might be due to child care problems. _____

Step 3: Calculate Expected Savings in Absenteeism Costs

Multiply the annual cost of absenteeism (Step 1) times the estimated reduction that might result from proposed work/life policies (Step 2) to determine expected savings.

Total savings: _____ x _____ = _____
(annual cost) (expected reduction)

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